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Pakistan

Exporter Guide

Exporter Guide 2016

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Report Highlights:

Pakistan is a small but growing market for imported consumer food products and the small modern retail sector is growing slowly. Rising incomes, urbanization, and a young populace are combining to slowly shift traditional consumption patterns away from bulk and raw foods towards packaged and processed foods, including ready-to-eat meals and frozen foods. Importers often attend major international food shows in search of new products. Dubai serves as an important transshipment point for processed food products entering into Pakistan.

SECTION 1: MARKET AND ECONOMIC OVERVIEW

Pakistan's economy grew 4.7 percent in fiscal year (July/June) 2016, up slightly from 4.2 percent the previous year. Per capita income increased from \$1,517 in FY 2015 to \$1,561 in FY 2016. Foreign Direct Investment during July-April 2016 crossed \$1.0 billion. Major FDI inflows are from China, the United States, the United Arab Emirates, and Europe.

Agriculture is a key sector of the economy, accounting for 19.8 percent of GDP and 42 percent of employment; the sector has direct and indirect linkages with other sectors of the economy and could play a more significant role in socio-economic development with proper investment. Pakistan is a relatively large importer of a few key agricultural products such as cotton, vegetable oil, pulses, tea, and dairy products, and a small or erratic importer of other agricultural products. Pakistan imported \$4.0 billion in food and agricultural products in FY 2016. Imports of U.S. agricultural products reached \$584 million through October 2016 and could reach a record level in 2017 due in large part to an increase in imports of soybeans, tree nuts, pulses, consumer oriented products, and forestry products.

Dubai is an important transit point for foreign food products entering Pakistan. Companies in Dubai can consolidate and ship products in approximately four days. A number of U.S. food items are imported this way, allowing importers to better control inventory and reduce the need for expensive storage costs. Pakistan cold chain system is somewhat limited and that complicates the import and movement of produce, meat, fish, and other fresh, frozen or refrigerated products throughout the country.

The United States is Pakistan's largest bilateral trading partner. An estimated 500,000 members of the Pakistani diaspora reside in the United States. Annual U.S.-Pakistan bilateral trade has exceeded \$5.0 billion in recent years. The United States is a top source of foreign direct investment Pakistan, with \$209 million invested in U.S. fiscal year 2015. Pakistan has taken steps over the years to liberalize its trade and investment regimes, either unilaterally or in the context of commitments made with the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank. It is relatively open to foreign investment, but its ranking in the World Bank's Doing Business Index remains low, largely due to energy, security, and governance challenges.

American firms have a fairly strong presence in Pakistan. Currently, there are more than 60 wholly- or majority-owned U.S. subsidiary firms registered with the American Business Council (ABC) of Pakistan and the Lahore-based American Business Forum (ABF).

A. Food Purchasing Behavior:

A small number of international and domestic grocery retail outlets are starting to change the food retail sector in Pakistan, but Pakistanis still buy much of their food in traditional shops and markets. In major cities, middle and high-income consumers are slowly diversifying their purchasing away from bulk and raw foods towards packaged and processed foods, including ready-to-eat meals and frozen foods. An

increase in the number of females working full-time and higher levels of disposable income has supported this trend. The major food consumption patterns have not changed as much in the rural areas and are still based on wheat and grain products and a variety of meat products. Consumers in the north of Pakistan mainly consume lamb and beef, but in central and the south more consumers prefer chicken. There are still a lot of opportunities for investments in the dairy products sector but products should be adjusted to local tastes.

A typical Pakistani household makes regular purchases of staple foods (i.e., wheat flour, pulses, edible oils, fruits, vegetables, milk, and meat) several times per month from neighborhood stores due to convenience, perceived freshness, and limited storage space at home. Young Pakistani professionals (male/female) are making monthly food purchases from modern retail stores due to the greater variety of products, access to co-located stores, and access to restaurant and prepared foods all under one roof. For urban dwellers with sufficient income, one-stop grocery shopping is catching on as a family outing. Affluent Pakistani families are attracted to modern retail stores due to their affordability, strategic locations, variety, and access to imported processed foods.

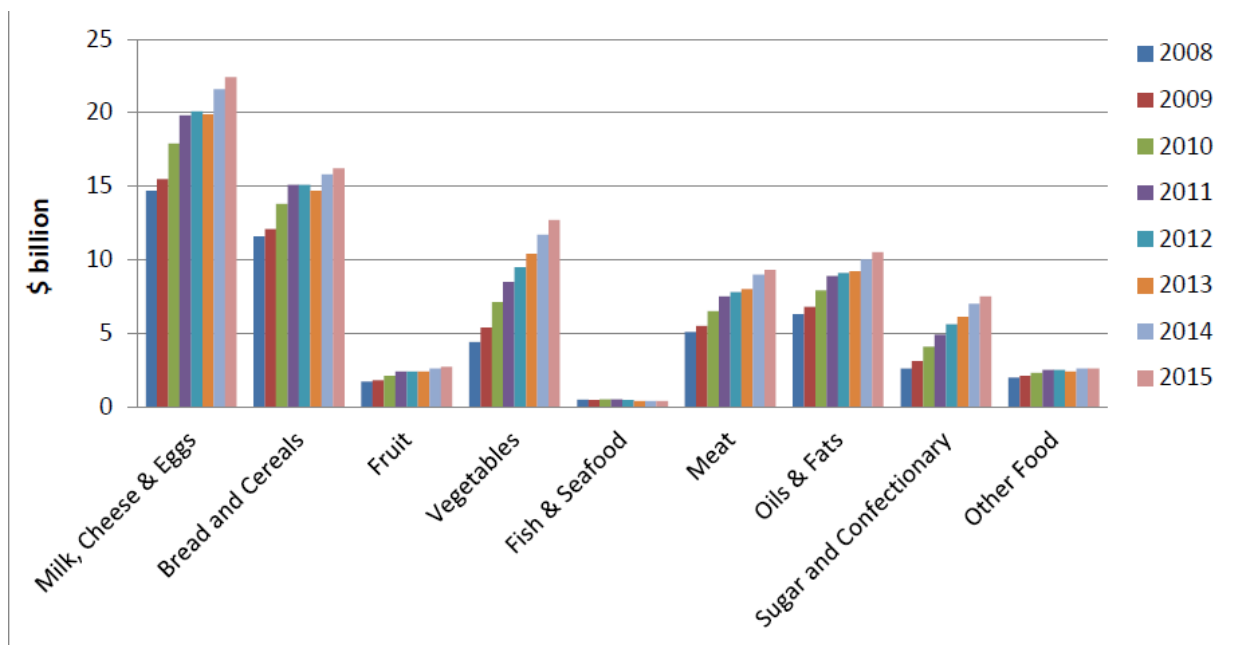
Table 1: Pakistani Consumer Expenditures on Major Food Categories During 2015

Categories	2015 (\$ billions)	2008 – 2015 Growth Percentage
Milk, Cheese and Eggs	22.4	52.38
Bread and Cereals	16.2	39.66
Fruit	2.7	58.82
Vegetables	12.7	188.64
Fish and Seafood	.38	-19.15
Meat	9.3	82.35
Oils and Fats	10.5	66.67
Sugar and Confectionery	7.4	184.62
Other Food	2.6	30.00
Total	84.18	72.25

Source: *Euromonitor*

The demand for specialty and high value foods such as dates, cereals, beverages, chocolates, almonds, cakes, fruits and fruit juices reaches its peak during the Islamic festive season, especially at Eid and Ramadan. These festivals revolve around the year depending on the lunar calendar.

Figure 1: Growth in Pakistani Consumer Expenditures on Major Food Categories (2008 – 2015)



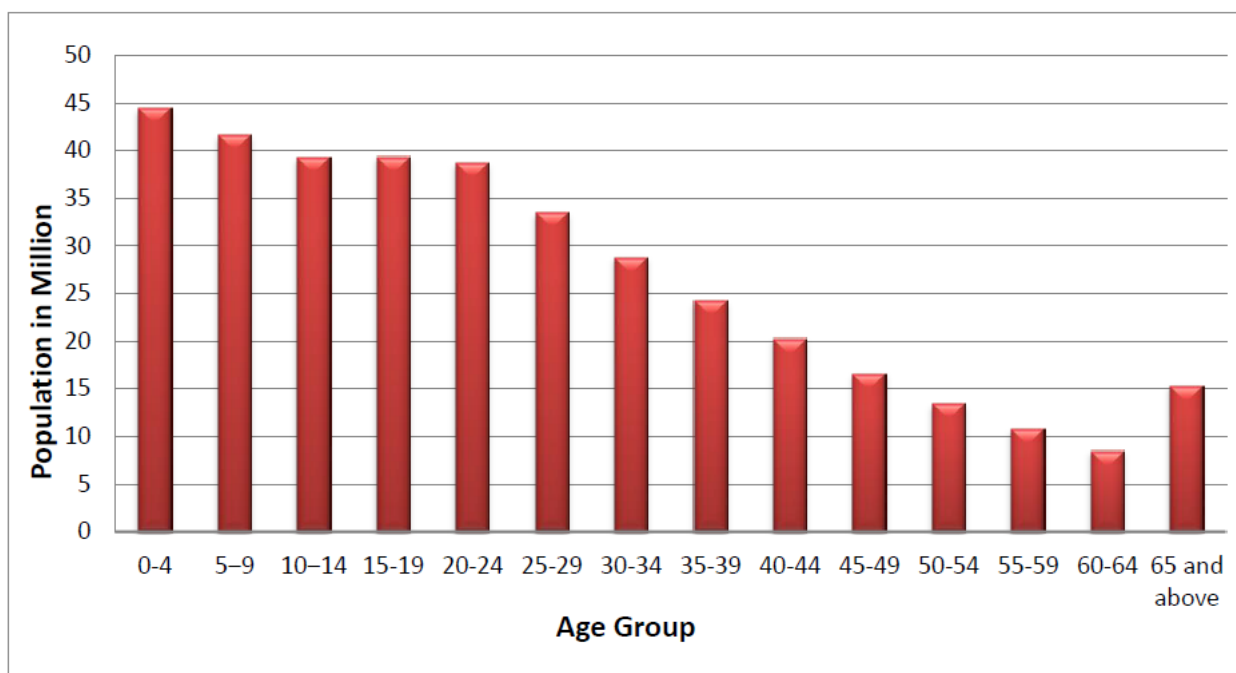
Source: Euromonitor

A. Consumer Demographics:

Pakistan is the sixth most populous nation in the world with a population of over 195 million in 2016. Pakistan is also one of the youngest countries in the world with 35.4 percent population is under the age group of 15 years and 4.2 percent population is in the age group of 60 years and above in 2015. This young dynamic group is the main source to raise the economic growth and can create an opportunity for the country to boost its productive capacity. Pakistan's middle class is estimated at 63 million, but incomes deemed middle class are significantly lower than in the United States. Consumers from the Pakistani middle class broadly support both domestically produced and imported goods, including imported foods. The upper middle-income class is currently estimated at 17 million, with relatively high per capita income which favors consumer spending.

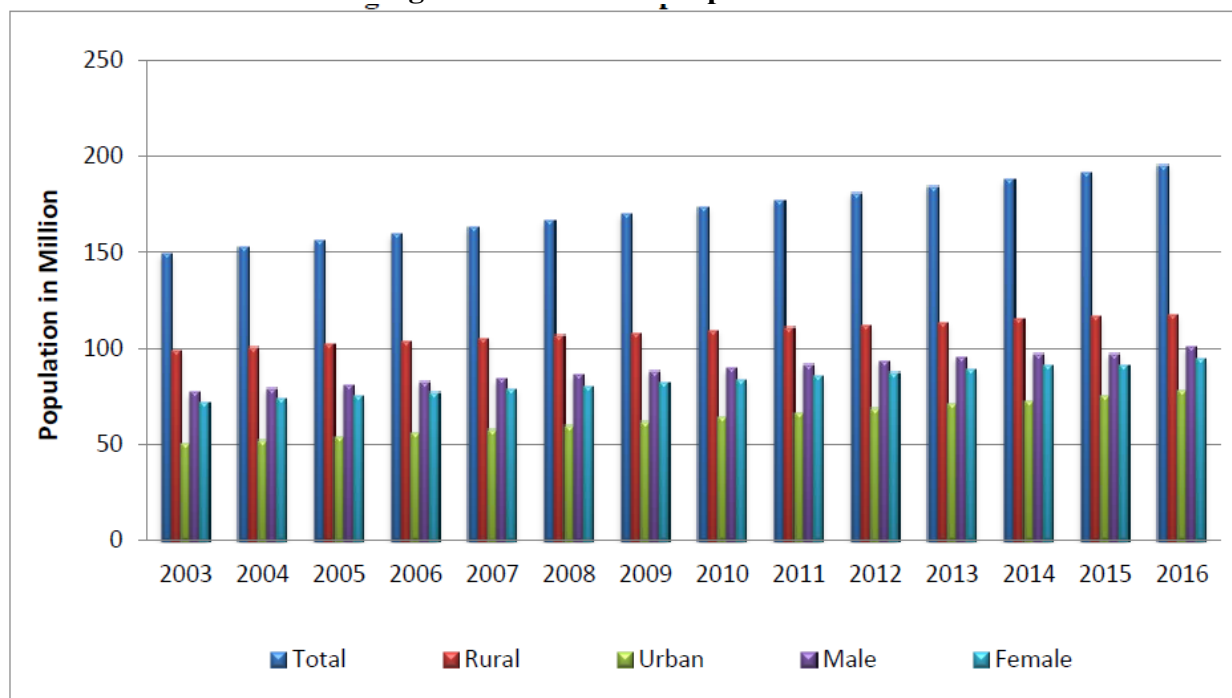
The population in rural areas decreased from 61.4 percent in 2014 to 60.1 percent in 2016, whereas, the population in urban areas increased from 38.5 percent in 2014 to 40.0 percent in 2016. The agricultural sector is the largest sector of the economy and is major source of inputs for agro based industries such as milling, feed, and sugar. It provides employment to 42 percent of the population. Total employment in agriculture reduced marginally from 43.7 percent in 2012/13 to 42.3 percent in 2014/15.

Figure 2: Pakistani Population by Age Group



Source: *Economic Survey of Pakistan*

Figure 3: Pakistan's Population 2003-2016



Source: *Economic survey of Pakistan*

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Pakistan has a large young population that is more focused on consumer items	Shipments from the United States take longer
Expatriate community looks for specialty U.S. food products and dine in Western-style restaurant	U.S. suppliers have not been flexible in terms of specialty products of smaller quantities required by the industry
Consumers are seeking quality products from both domestic and international suppliers	Competition from other countries like the United Kingdom, Australia, New Zealand, South Africa, and Europe
Gradual transformation of the modern retailing in urban centers	Imported food products are subject to high tariffs which range from 25 – 65 percent and a high duty structure for all value added food ingredients
U.S. products are popular for quality, taste, and wholesomeness	Proximity to other countries provide competitors a comparative advantage
Eating out culture is becoming popular at upper and middle income levels	Inability of U.S. exporters to meet Pakistani importers' requirements (mixed shipments)
Urban population creates demand and welcomes new products as they are open to try novel tastes	Locally produced snack foods, salad dressings, sauces, jams and other processed foods are relatively inexpensive
International retailers that market a wide range of imported products in the sector have great influence on purchasing patterns	Local importers prefer to initiate business deals with small orders which is usually not welcomed by many U.S. exporters
Franchising has been introduced and the retail food sector is transitioning to a modern structure with a growing number of Western-style fast food restaurant chains, bakeries, and coffee shops	Market penetration for imported products is mostly concentrated in major cities

SECTION II: EXPORTER BUSINESS TIPS

A. Political Situation:

Pakistan is a federation of four provinces, Baluchistan, Khyber Pakhtunkhawah (KP), Punjab, and Sindh. The Federally Administered Tribal Areas (FATA) along the border with Afghanistan, and the Islamabad Capital Territory, are both under the jurisdiction of the federal government. Gilgit Baltistan ("GB," until 2009 known as the "Northern Areas") has an administrative setup similar to the provinces, including a Governor, Chief Minister, and Legislative Assembly. The elections held on May 11, 2013, marked the first time in the country's history that one civilian government peacefully transferred power to another. The Pakistan Muslim League – Nawaz (PML-N) is currently the ruling political party.

B. Food Preferences:

The majority of consumers prefer fresh foodstuffs, which are readily available in their neighborhood at affordable prices. Healthy eating is becoming more popular among educated consumers and is featured in newspapers, magazines, and television. Fresh foods, fruit juices, fruit concentrated-based beverages, organic foods, sugar-free confectionary, packaged food with higher fiber content, dairy products, and vitamin and calcium fortified packaged foods and beverages are all gaining acceptance among middle and upper-income consumers. Pakistan is 96 percent Muslim. Therefore, pork is only consumed by a small Christian community. Products of animals and products containing animal ingredients must be certified Halal to ensure that the meat or ingredients were sourced from livestock that were slaughtered in accordance with the tenets of Islam. Food and ingredients destined for the food service sector must also be certified Halal where appropriate. The import and sale of alcohol is also prohibited for religious reasons.

Traditional and modern snack foods, such as confectionaries, pastries, cakes, biscuits, ice cream, or sweet and savory snacks are very popular among Pakistanis. Frozen foods and instant noodles, which are easy to prepare for children, are popular among working mothers. Local flavors are preferred and local food manufacturers are exploring opportunities to produce new products using a combination of local and imported flavors. The rise of the urban middle class has increased the acceptance of packaged, convenience, and ready-to-eat food products. Many Pakistanis are quite willing to try new foods while eating out, but often return to traditional fare at home. Chinese, Italian, Thai, Moroccan, and Lebanese foods are among the fastest growing new cuisines in Pakistan.

C. Distribution Systems:

Pakistan still largely maintains a traditional distribution system for imported food products which involve several intermediaries. Food products are generally imported by a clearing and forwarding agent, who is responsible for distribution to retailers. Many importers have their own warehouses while others may utilize clearing and forwarding agents to facilitate the storage, movement and distribution of goods given the high cost of building and maintaining warehouses and maintaining truck fleets. Importer/distributors with national distribution typically have sub-offices in regional cities or appoint other distributors to market their products in specific regions.

A slightly different approach is used for distributing locally produced products. The clearing and forwarding agents transport food products from the warehouse to distributors. The agents usually receive two percent margins, then invoice the distributors, and receive payment on behalf of the manufacturer. The distributors have exclusive geographical territories and a sales force that calls on both the wholesalers and on large retailers in urban areas. The wholesalers provide the final link to those rural and smaller retailers who cannot purchase directly from the distributors.

With the rise of chain restaurants, modern companies specializing in the handling of food have also emerged. These firms are equipped to comply with strict temperature and quality specifications on behalf of their clients and offer modern warehousing and transportation facilities.

Retailers rarely import directly, relying on importers and distributors to handle the clearing and storage of products. However, a few of the larger modern retail chains have started to import certain products directly. Imported foods enter Pakistan from regional trading hubs such as Dubai, Singapore, and Thailand as well directly from supplying countries. Major importers are located in Karachi and Lahore.

U.S. companies considering marketing their products in Pakistan should first identify a local distributor, preferably with a national network, to assist in clearing, storing, transporting, distributing, and marketing their products. Distributors in the urban areas generally seek exclusive products rights to a particular city. As a matter of policy, most companies do not provide credit to distributors, and distributors in turn generally sell on a strictly cash basis to retailers. Smaller distributors often do provide credit to retailers, but the volume of such transactions is relatively insignificant.

D. Infrastructure:

Pakistan has five international airports, including the Karachi Jinnah International Airport, one of the biggest and most modern airports in Pakistan. Pakistan's road network is the backbone of the country's transport system. The total road network in Pakistan is around 265,000 kilometers, out of which about 70 percent is paved. Roads carry over 96 percent of inland freight and 92 percent of passenger traffic. Pakistan also has 7,791 kilometers of railroads that carried over 40 million passengers and 1 million tons of freight.

Pakistan has a coastline of 1,050 kilometers along the Arabian Sea and is serviced by two major ports (Karachi Port Trust and Port Qasim) in Karachi. The progress of business at Karachi Port Trust (KPT) is continuously progressing due to increased international trade with regional and international countries. During FY 2015, KPT handled 43 billion tons of imports and exports as compared to 41 billion during the comparable period of last year. Port Qasim is a second deep sea port of Pakistan which was established in the early days i.e. 1973. Port Qasim Authority handles 23.782 million tons of total cargo during the period July-March, FY 2016 which is 10 percent more than the business carried out during the same period last year. Container handling facilities are available at both ports and in several major cities. Karachi is Pakistan's largest container port and the port where most containerized food enters Pakistan. Air shipments typically land at the Karachi, Lahore, or Islamabad airports. Freezer and refrigeration facilities at the Karachi and Lahore airports are limited and present a challenge for importers seeking to clear high value food products with short shelf life.

Pakistan is working with China to develop its infrastructure and extend its transportations system. With the help of the China Pakistan Economic Corridor, new roads and railways are expected to better integrate Pakistan with the regional markets. The corridor will link to Pakistan's Gwadar port, the first port on the southwestern Arabian Sea coastline. Gwadar is a deep-sea port and phase-1 of the port has been developed jointly by the Government of Pakistan and the Government of the Peoples Republic of China.

E. Finding a Business Partner:

If an exporter is interested in the Pakistani market, the first step is to locate a reliable importer or distributor, usually firms handle both functions. A group of professional distributors who are keen to manage brands is developing in Pakistan and many are interested in expanding their product lines. These importers typically seek exclusive rights to market a particular product or brand. The food import business is relatively new and exporters would be wise to meet potential importers and research their business profile carefully through banks and trade associations.

Restaurant franchises are one way of introducing new products. An increasing number of restaurant chains are opening in Pakistan, especially in Karachi and Lahore. These include fast food, casual dining, and cafes. While most of these companies' source food ingredients produced in Pakistan, some require specialized ingredients or imports of certain items that are not readily available. Exporters should check with importers to see if they are approved suppliers for franchises. Additionally, Pakistan's hotel sector has traditionally represented a small niche market for certain high-value food products that cannot be readily found throughout Pakistan. Several global hotel chains have a presence as do a number of excellent local chains. Fresh fruits and vegetables are readily available in Pakistan but high quality fruits and vegetables (especially cherries, plums, broccoli, and lettuce), meat (especially steak), and fishery products (especially shrimp and crab) can be difficult to source locally.

A visit to Pakistan to gain a first-hand feel of the Pakistani market, preferably coinciding with a major food shows, such as DAWN Sarsabz Pakistan Agri Expo, Expo Pakistan, Food Technology Asia, and IFTECH Pakistan (see Appendix B for more details) offers an excellent opportunity to learn more about the Pakistani market and meet prospective importers. Similarly, increasing numbers of Pakistani importers are visiting international food shows such as Gulfood, ANUGA, and SIAL.

The importer shall ensure that:

- Importation is in accordance with regulations and the item(s) are not on the negative list.
- The terms and conditions of importation are specified in the letter of credit.
- Bulk vegetable oils are the only food products subject to random testing to ensure fitness for human consumption at time of arrival.
- Imported food products, including ingredients, must have at least 50 percent of their original shelf life remaining at the time of importation - calculated from the date of filing the "Import General Manifest" (IGM) in accordance with the Customs Act of 1969.
- Pakistani regulations require importers to acquire a compulsory letter of credit or register the contract with a bank in order to import goods into Pakistan.

Consider the following before selecting a distributor:

- Do they have a national or regional distribution network?
- How is their distribution network structured?
- Who are their customers? Do they sell to retailers, hotels or restaurants?
- What are their capabilities? Do they have experience handling perishable or value added foods?
- Are they interested in marketing your products? If so, how will marketing costs be handled?
- Are they paying listing fees to retailers?
- Are they managing similar brands or products from other suppliers?
- What are the margins and costs charged by the distributor?

Ensuring payment is another important consideration when establishing a relationship with an importer. Until a successful working relationship is established, exporters may wish to consider vehicles such as an irrevocable letter of credit. Alternatively, Pakistani importers are accustomed to operating without credit and may be willing to pay cash prior to shipment. While FAS Islamabad receives few queries

concerning delinquent Pakistani importers, our office does not have the authority or expertise to mediate contractual disputes or serve as a collection agent when differences over payment arise. For firms that qualify, the Export Import Bank of the United States provides exporter insurance. USDA's Export Credit Guarantee Program (GSM-102) is not operational in Pakistan.

A number of trade associations and chambers of industry are active in Pakistan. These associations work on behalf of local and multinational food and food ingredient manufacturers, processors, importers, farmers, retailers, cooperatives etc. Please see Appendix E for details on such trade associations operating in Pakistan. Exporters are advised to identify appropriate associations and work closely with these associations to explore opportunities in the Pakistan market. There are few U.S.-based trade groups that are active in Pakistan. For more information please refer to Appendix C.

F. Advertising and Trade Promotion:

Pakistan has over a dozen major advertising agencies, some with foreign affiliation. Television and newspapers are the most widely used method of advertising. Other means of advertising include radio, billboards, periodicals and trade journals, direct response advertising, slides and commercial film shorts in movie theaters, short messages through cellular phones, as well as the internet. Pakistan has over 120 daily newspapers. Although the English-language press reaches only a small fraction of the population, it is influential in political, business, academic, and professional circles. Increasing numbers of Pakistani consumers have access to a number of national and international channels through satellite television. Urdu channels are popular among the majority of the middle-income population. In addition to government-run television in various regional languages, there are several popular privately-owned channels. Most urban households have televisions, and televisions are also increasingly present in rural Pakistan.

There are several annual trade shows focusing on various aspects of the food sector. These shows tend to cater to Pakistani exporters and the domestic food industry, but a few shows are starting to become viable options for foreign food exporters. This report lists four shows in Appendix B, two of which, Dawn Sarsabz Pakistan Agri Expo and IFTECH Pakistan, are considered the best in Pakistan and held almost every year. Additional information on other Pakistani trade shows can be accessed from the following websites:

<http://www.ecgateway.net>
<http://www.pegasus.com.pk>
<http://www.terrabizgroup.com>

G. Business Etiquette:

Pakistan is on a Monday through Friday workweek and many offices are open part of the day on Saturday. It is common for offices take one or two hours off on Friday afternoon for prayers. Private businesses usually operate from 9:00 am to 5:00 pm during weekdays, with most international firms closed on Saturdays and Sundays. The national language of Pakistan is Urdu but English is commonly used in business, government offices, and trade. Normal business dress for men is a shirt and tie. Suits are worn to meetings with high-ranking officials and senior business people. Businesswomen should wear similarly formal and modest attire when making official calls or attending formal meetings.

Realistically, business visitors can expect to schedule up to four meetings per day. Pakistani businessmen prefer appointments between 11:00 am and 5:00 pm. Hospitality is a key part of doing business in Pakistan; most business discussions will not begin until “chai” (tea), or a soft drink is served. To refuse any beverage outright will likely be perceived as an insult. Talking about your family and friends is an important part of establishing a relationship with those involved in the business process.

Do not drink alcohol in public. Most hotels serve liquor to foreign nationals after verification of their passports as part of room service. Liquor permits are also given to foreign nationals if they intend to stay in Pakistan for a longer period. Security checks are common at hotels and public buildings including office buildings. This can include the scanning of the cars at entry points and screening of luggage, and it may take longer to enter hotel main reception areas. It is important to comply with these procedures for the safety and security of all. If you have a local agent or partner, it is a good idea to bring him or her to meetings with prospective customers and business contacts.

During Ramadan, a period which lasts for a month, Moslems are required to fast from sunup until sunset. During this time, visitors are not allowed to eat, drink or smoke in public places. The dates of Ramadan shift by about two weeks each year as it follows the lunar calendar. Exporters should avoid visiting Pakistan during Ramadan and elections.

The best time of year to visit Pakistan is between November and April, so that the seasons of extreme heat and rains can be avoided. Although Islamabad (the capital) has a cool, pleasant winter (November - February), summers (April –July) are fierce with temperatures of up to 120 degrees Fahrenheit.

Karachi has a subtropical climate and is hot and humid year round. Major cities have good hotels and are well connected by domestic airlines.

SECTION III: MARKET SECTORS: STRUCTURE AND TRENDS

A. Food Retail

There are a few large supermarkets or chain stores for general consumer items. Two well-known European chains have opened cash and carry stores in joint collaboration with Pakistani groups and have opened several self-service outlets in Karachi, Lahore, Faisalabad, and Islamabad. These hypermarkets are typically 25,000 to 100,000 square feet in an effort to take advantage of scale and create a unique one-stop shopping experience in Pakistan that differentiates them from smaller supermarkets and traditional small retailers.

In addition, hundreds of government-owned utility stores sell food and household items and serve as a mechanism for restraining inflationary price increases by following government guidelines on pricing. The military-owned Canteen Stores Department (CSD), a discount retail network, has also expanded to all major cities of the country.

Most of the retail segment is fragmented and underdeveloped with a large number of small retail outlets – estimated at over 2.5 million and many carry food items. Food and beverages account for 60 percent of retail sales. At this time there are less than a dozen shopping malls and they are generally limited to the larger cities of Karachi, Lahore, Faisalabad, and Islamabad. Islamabad’s first shopping mall opened

in February 2013.

Pakistani consumers have been slow to embrace online shopping. The relatively high cost of computers, low internet penetration rates, payment issues, and the need for a better delivery options have limited growth. Recently, fuelled by increased demand among younger urban consumers and the prevalence of mobile phones internet retail sales have increased significantly, albeit from a very small base. Thus far, not online retailers have developed food or grocery websites.

B. Food Service

Fast food is a growing industry in Pakistan that is capitalizing on changing lifestyles, a growing young population, expansion of urban malls, modern retailing, and an increase in the number of working women. U.S. companies dominate the franchise market in Pakistan in large part due to the fact that they were the pioneers in this sector. Fast food chains are focusing on specialized products to attract consumers in the 15-49 age range. Western-style fast food outlets typically purchase limited imported foods and food ingredients, and the demand is usually restricted to items such as frozen french fries, cheese, dressings, sauces, whipping cream, bakery ingredients, mixes, and condiments.

The same potential exists for high-end coffee shops as well, as specialty and flavored coffees are spreading and this trend is being promoted both by international coffee chains and their Pakistani competitors. Coffee shops tend to use various imported coffee ingredients including creamer, honey, flavorings, and roasted coffee.

During the last few years, high-end bakery concept has become popular in the urban areas of Pakistan. These bakeries tend to use imported ingredients including bakery yeast, dough, flavors, icing, and cocoa in their specialized products to improve quality and taste.

The small frozen fruit and vegetable sector is growing to meet the demands of the restaurant sector. Growth in fruit and vegetable processing is estimated at 11 percent in 2015 in processed frozen fruit and vegetables.

C. Food Processing

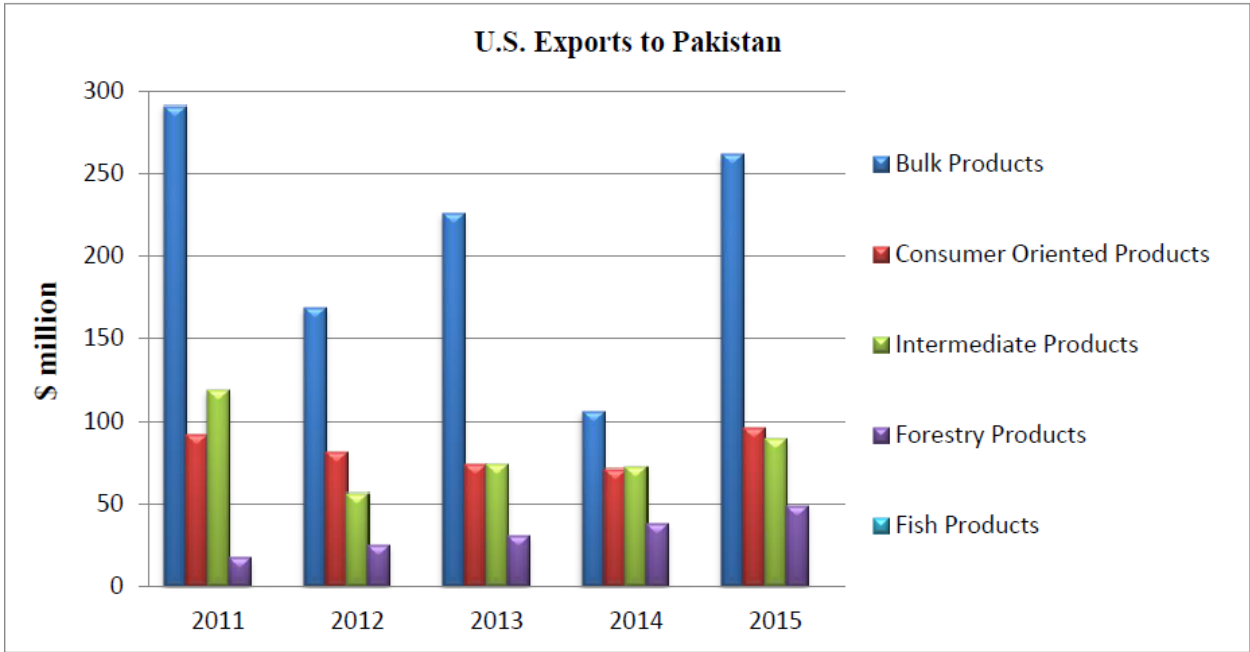
An estimated 25 percent of agricultural production is processed in some way and accounts for 16 percent of employment in the manufacturing sector. In addition, the food processing sector contributes 17% to the manufacturing GDP of Pakistan and is comprised principally of rice and wheat milling and sugar cane processing. There are more than 1,000 large-scale food processing enterprises in the country and up to 75% of rural-based food manufacturers are in the so-called informal sector. The almost year-round availability of fresh products across the country, combined with consumers' preference for fresh products and freshly cooked foods, has tempered the demand for processed food products in the past.

With relatively few international or domestic national brands, many of Pakistan's larger stores sell private label brands that include packaged shelf-stable foods such as pulses, dried fruit, cereals, spices, tea, and dry milk etc. Many consumers view the private label brands as being a better value and the industry continues to grow.

The consumption of unprocessed meat and seafood remains quite popular among Pakistani consumers because of their perceived freshness and safety. However, led by poultry, there is a small but growing sector focusing on processed meat and seafood. Supermarkets now allow companies to place branded freezers in their outlets, with some going so far as to allow company salesmen to stand next to these freezer and approach shoppers to discuss the benefits of consuming processed meat and seafood.

Food processors are slowly introducing new products and traditional recipes using improved technology, innovative packaging, and aggressive marketing. For ingredients that are not available in Pakistan, processors turn to imports and typically source through importers specializing in food ingredients. Food ingredients sourced by Pakistani food processing companies from the U.S. include dried fruits and nuts, essential oils, protein isolates, starch, vegetable saps, thickeners, lactose, sugar and sugar syrups, mayonnaise, mixed seasonings, sauces and preparations, yeast, baking powders, sweeteners and other preparations for beverages, vinegar, oleoresins, and gelatin and gelatin derivatives.

The dairy sector is expanding as is the availability of processed dairy products such as cheese, butter, yoghurt, ice cream, and ghee. Large firms produce about 80 percent of the processed dairy products. Pakistanis have traditionally consumed a soft young cheese known as paneer, but are gaining exposure to western-style cheeses through the fast food industry.



Source: *U.S. Department of Agriculture*

SECTION IV: BEST PRODUCT PROSPECTS

Products Present in the Market with Good Sales Potential

Description	Total Imports CY 2015 - Value	Base Tariff	Key Constraints	Market Factors
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	(\$ millions)			
Tree Nuts	190	10%	Competition from Afghanistan and Iran	Growing seasonal demand, health consciousness, and value additions
Apples Fresh	30	20%	Competition from New Zealand, Iran, Afghanistan, Argentina, China (favorable tariff), and domestic suppliers	Seasonal shortages and high prices, diverse fruits among Pakistan's middle income population and growing retail industry
Cocoa and Cocoa Preparations	29	up to 25%	Competition from domestic and other foreign suppliers	Consumer preference for imported products and brands
Coffee, Tea Mate & Spices	566	up to 25%	Competition from Gulf States, EU, and domestic market	Preference for imported brands and shortage of quality domestic product
Dry Milk (NFDM)	158	40%	Competition from foreign suppliers like EU and Gulf states	Demand for powdered milk for processing
Dairy Products	203	25%	Competition from foreign suppliers like EU and Gulf states	Increasing popularity of imported brands and shortage of quality domestic products
Processed Fruit and Vegetables	95	25%	Competition from countries like China, India, Afghanistan, and Thailand etc.	Growing demand for fruits in domestic offseason and increasing demand for processed vegetables
Pulses	363	2%	Price competitiveness and freight advantage for countries like Myanmar and India	Local production is inadequate and more than 37% of total consumption is met through imports
Sugars and sugar Confectionery	33	25%	Competition from domestic and other foreign suppliers	Consumer preference for imported products/ brands

V: POST CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report or need assistance exporting to Pakistan, please contact the Office of Agricultural Affairs, Islamabad at following address:

Agricultural Counselor

Office of the Agricultural Affairs
Foreign Agricultural Service
Embassy of the United States of America
Islamabad, Pakistan
Ph: (92-51) 201-4920, Fax: (92-51) 227-8142
E-mail: agislamabad@usda.gov

For more information on exporting U.S. agricultural products, please visit the Foreign Agricultural Service's home page at: <http://www.fas.usda.gov>

The following reports may be of interest to U.S. suppliers. These, and related reports prepared by FAS Islamabad, can be accessed via the FAS Home Page, www.fas.usda.gov by clicking on “Attaché Reports” and typing the report title.

- FAIRS Narrative Report 2016
- Food Retail Sector Report 2011

APPENDIX A: STATISTICS

TABLE A: Key Trade and Demographic Information

Agricultural imports from all countries (USD billion) ¹ / U.S. market share	6.27/ 7.1%
Consumer Food Imports from all countries (USD billion) ² / U.S. market share	1.20/ 8.2%
Total Population ³	195 million
Urban population ⁴	78 million
Population Density ⁵ (People per square kilometer)	166
Proportion of population below 15 years ⁶	35.4%
Proportion of population between 15 to 65 years ⁷	60.4%
Per capita Gross Domestic Product in FY 16 (USD) ⁸	1,561
Unemployment Rate 2014/15 ⁹	5.9%
Female population employed 2014/15 ¹⁰	15.8%
Exchange Rate Rs. Per USD (as of November 15, 2016)	104.53

Source: ^{1,2} USDA/FAS Global Trade Database; ³⁻¹⁰ Economic survey of Pakistan and Pakistan Bureau of Statistics, and Ministry of Finance 2015/16

TABLE B: Top 15 Suppliers of Agricultural Products

Partner Country	Dollars (USD)			Percentage Share		
	2013	2014	2015	2013	2014	2015
World	5,578,926,176	6,086,094,442	6,274,108,005	100.0	100.0	100.0
Indonesia	973,953,211	1,556,443,808	1,507,448,786	17.46	25.57	24.03
India	1,075,020,984	925,426,856	961,525,125	19.27	15.21	15.33
Malaysia	1,177,602,635	715,462,036	500,423,724	21.11	11.76	7.98
United States	373,637,933	249,356,903	447,259,530	6.70	4.10	7.13
Canada	39,095,547	239,360,454	415,346,314	0.70	3.93	6.62
Argentina	119,462,125	267,556,174	393,173,783	2.14	4.40	6.27

Kenya	263,205,518	233,421,712	342,000,686	4.72	3.84	5.45
China	223,623,907	266,421,593	330,825,459	4.01	4.38	5.27
Brazil	69,800,432	96,236,238	211,252,473	1.25	1.58	3.37
Iran	151,691,708	193,405,156	209,371,931	2.72	3.18	3.34
Australia	247,640,170	221,999,545	206,141,397	4.44	3.65	3.29
Ukraine	156,629,767	310,094,102	82,197,261	2.81	5.10	1.31
Thailand	77,934,335	83,875,020	73,198,264	1.40	1.38	1.17
Netherlands	64,544,470	77,806,638	69,979,328	1.16	1.28	1.12
France	35,211,360	51,121,512	55,523,578	0.63	0.84	0.88

Source: *USDA/FAS Global Trade Database*

TABLE C: Top 15 Suppliers of Consumer Food Products

Partner Country	Dollars (USD)			Percentage Share		
	2013	2014	2015	2013	2014	2015
World	991,578,076	1,184,060,228	1,200,537,691	100.0	100.0	100.0
China	116,426,448	151,583,597	225,727,866	11.74	12.80	18.80
India	239,029,376	291,033,251	170,726,121	24.11	24.58	14.22
Iran	98,846,433	135,926,697	140,915,538	9.97	11.48	11.74
Indonesia	85,877,598	122,044,909	122,980,062	8.66	10.31	10.24
United States	77,299,289	75,686,361	98,960,072	7.80	6.39	8.24
Netherlands	53,204,824	62,088,383	54,927,748	5.37	5.24	4.58
France	27,003,251	43,335,376	46,659,208	2.72	3.66	3.89
Thailand	34,881,317	27,289,718	30,204,268	3.52	2.30	2.52
New Zealand	33,661,346	32,030,047	27,767,044	3.39	2.71	2.31
Malaysia	27,914,555	25,849,742	24,967,418	2.82	2.18	2.08
Germany	10,741,015	25,334,240	23,963,736	1.08	2.14	2.00
Denmark	18,781,056	18,780,454	21,479,266	1.89	1.59	1.79
Singapore	25,706,816	22,140,775	20,389,862	2.59	1.87	1.70
Sri Lanka	27,467,372	16,069,875	18,784,747	2.77	1.36	1.56
United Kingdom	10,626,626	14,778,436	17,564,937	1.07	1.25	1.46

Source: *USDA/FAS Global Trade Database*

APPENDIX B: MAJOR FOOD AND AGRICULTURAL TRADE SHOWS IN PAKISTAN

DAWN Sarsabz Pakistan Agri Expo

Website: <http://agri.dawn.com/>

Annual event organized in March

Expo Pakistan

Website: <http://www.expopakistan.gov.pk/>

Annual event organized in February & March

Food Technology Asia

Website: <http://www.agroasia.net/>

IFTECH Pakistan

Website: <http://www.foodtechpakistan.com/>

APPENDIX C: U.S. COOPERATORS IN PAKISTAN**American Soybean Association (ASA)**

Website: <http://soygrowers.com/>

Local Representative:

Tel: +92-300-921 2727

Email: janjua@soypak.org

Cotton Council International (CCI)

Website: www.cottonusa.org

Local Representative Office Address:

39 Atta Turk Block, New Garden Town, Lahore

Cellular: +91-300-848 7912

Email: mazhar@sypher.biz

APPENDIX D: USEFUL PAKISTANI AGENCIES OF CENTRAL GOVERNMENT**Ministry of National Food Security and Research (MNFSR)**

Government of Pakistan

Pak Secretariat, Islamabad.

Website: www.mnfsr.gov.pk

Lead Role: Regulates imports of livestock, plant, seed, fertilizer, pesticide material etc. into Pakistan.

Department of Plant Protection (DPP)

Ministry of National Food Security and Research

Government of Pakistan, Karachi

Website: plantprotection.gov.pk

Lead Role: Inspection and regulation of the imports of plants and plant products.

Pakistan Standards and Quality Control Authority (PSQCA)

Ministry of Science and Technology

Government of Pakistan

Karachi

Website: <http://psqca.com.pk/>

Lead Role: Develops standards for various domestic and imported food products.

Ministry of Textile Industry Pakistan

Government of Pakistan

Pak Secretariat, Islamabad.

Website: <http://www.textile.gov.pk/>

Lead Role: Regulates and promotes the textile sector in Pakistan.

Ministry of Commerce

Government of Pakistan

Pak Secretariat, Islamabad.

Website: <http://www.commerce.gov.pk/>

Lead Role: Regulates imports and exports across custom frontiers.

APPENDIX E: LIST OF PAKISTANI TRADE ASSOCIATION

[The Federation of Pakistan Chamber of Commerce and Industry](#) (FPCCI)

[Rice Exporters Association of Pakistan](#) (REAP)

[Pakistan Flour Mills Association](#) (PFMA)

[Pakistan Poultry Association](#) (PPA)

[Pakistan Dairy Association](#) (PDA)

[Farmers Associate Pakistan](#) (FAP)

[Pakistan Central Cotton Committee](#) (PCCC)

[All Pakistan Textile Mills Association](#) (APTMA)

[Pakistan Sugar Mills Association](#) (PSMA)

[Basmati Growers Association](#) (BGA)

[Pakistan Fruit and Vegetable Association](#) (PFVA)

[Trade Development Authority of Pakistan](#) (TDAP)

[American Business Council of Pakistan](#) (ABC)

[American Business Forum of Pakistan](#) (ABF)

[Karachi Timber Merchant Group](#) (KTMG)

[Karachi Wholesale Grocers Association](#) (KWGA)